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LAW OFFICES
KOTEEN & NAFTALIN, L.L.P.

1150 CONNECTICUT AVENUE
WASHINGTON, D.C. 20036

DOCKET FILE COPY ORIGINAL

TELEPHONE
(202) 467-5700
TELECOPY
(202) 467-5915

BERNARD KOTEEN*
ALAN Y. NAFTALIN
ARTHUR B. GOODKIND
GEORGE Y. WHEELER
HERBERT D. MILLER, JR.
MARGOT SMILEY HUMPHREY
PETER M. CONNOLLY
M. ANNE SWANSON
CHARLES R. NAFTALIN
GREGORY C. STAPLE
*SENIOR COUNSEL

April 12, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: CC Docket No 96-45

Dear Mr. Caton:

Transmitted herewith, on behalf of Century Telephone Enterprises, Inc. and TDS Telecommunications Corporation are an original and nine copies of their comments in response to the Commission's Notice of Proposed Rulemaking and Order Establishing Joint Board, FCC 96-93, CC Docket No. 96-45 (released March 8, 1996).

In the event of any questions concerning this matter, please communicate with this office.

Very truly yours,

Margot Smiley Humphrey

Margot Smiley Humphrey

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

COMMENTS OF CENTURY TELEPHONE ENTERPRISES, INC.
AND TDS TELECOMMUNICATIONS CORPORATION

Margot Smiley Humphrey
KOTEEN & NAFTALIN
1150 Connecticut Avenue, N.W.
Suite 1000
Washington, D.C. 20036
(202) 467-5700

April 12, 1996

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SUMMARY

The 137 Century and TDS Telecom "rural telephone companies" urge the Joint Board and FCC to propose specific rules for the industry to price out and to evaluate all decisions under the universal service principles and standards in the 1996 Act. Congress intended these provisions to ensure rural America of quality, affordable, evolving services, including access to advanced telecommunications and information services and reasonably comparable rural and urban services and rates. Congress has adopted safeguards to buffer potential marketplace impacts on rural subscribers and has required rural services to evolve consistent with urban market-driven offerings. The federal definition for high cost and rural services should be forward-looking but realistic and cannot lawfully be restricted to low income or residential rural customers.

The Act prescribes specific, predictable, explicit and sufficient federal funding, contributed by all interstate carriers, to effectuate the Act's universal service purposes, including services and facilities upgrades. States retain authority to expand the definition and fund added services through nondiscriminatory contributions from all intrastate carriers. Funding to provide schools, libraries and rural health care providers with universal services and rates should be kept separate to allow evaluation against the statutory purposes and standards. Assistance to low income populations should continue under the Lifeline program, as stated in the Act.

The Act empowers the Joint Board to establish a definition of universal service and a federal funding mechanism to pay for that level of service. The Act precludes capping high cost mechanisms, seeking reduced funding (instead of the purposes Congress enacted) or basing high cost recovery on unreliable proxies or the costs of another dissimilar universal service provider. It is unlawful to provide (a) excessive universal service compensation that will not be used solely for the area and services for which "support is intended," can be used to compete in other services or markets, or overburdens universal service with costs or (b) funding that is not specific, predictable and sufficient.

Implementation should build on and improve effective cost recovery mechanisms such as current separate USF and DEM weighting, based on total non-separated costs. Merging USF and DEM weighting would increase bundling, reduce targeting and sufficiency, raise rural rates and impair rural infrastructure development. Modest SLC increases to levels within the comparability standard and retail surcharges, itemized on customer bills, will help in providing adequate high cost funding. Adjustments to how Long Term Support is collected and support to reduce rural traffic sensitive cost disparities may be necessary to support the Act's geographic interexchange averaging mandate. Any significant shifts in cost recovery require adequate transitions to mitigate adverse effects.

Congress also intended rural study areas to remain in effect and states to determine rural support eligibility. Forced study area consolidation would raise intrastate cost recovery burdens and rates, ignore corporate boundaries, fail to mitigate high costs and conflict with the principle of sufficient federal cost recovery. If competition and duplicative rural support are proposed, the rural telephone company must be allowed to shift support to reflect geographic cost differences within its study area. Support to other ETCs should be cost-based, disaggregated and limited to their facilities-based services.

Finally, changing from national universal service administration to state government control conflicts with the Act's deregulatory intent and would frustrate federal uniformity and the separate federal and state mechanisms contemplated by the law.

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

Century Telephone Enterprises, Inc. (Century) and TDS Telecommunications Corporation (TDS Telecom or TDS), by their attorneys and on behalf of their local exchange companies (LECs), respond in these comments to the Commission's Notice of Proposed Rulemaking and Order Establishing Joint Board, FCC 96-93, CC Docket No. 96-45 (released March 8, 1996) (NPRM). Century and TDS have coordinated their positions and foregone their right to file 25 pages each, to accommodate the Commission staff's appeals for consolidated filings and to provide consensus on these issues for all 137 represented companies.

Century and TDS own and operate, respectively 35 and 102 individual incumbent local exchange carriers. These LECs provide local exchange and exchange access services in 32 states, collectively. Each of these LECs qualifies as a "rural telephone company" (RTC) under the Telecommunications Act of 1996 (§ 3(r)(47)). Each has a vital interest in this proceeding to implement the Act's comprehensive universal service provisions (primarily §§ 254 and 214(e)) -- particularly the special poli-

cies Congress crafted to assure communities served by RTCs of the information and telecommunications resources they need.

The New Law Responds to Unique Rural Telecommunications Challenges

The new law has carefully balanced its expanded national commitment to competition and decreasing regulation (e.g., § 251-253; Titles 10 and 11) and its expanded national commitment to the "preservation and advancement of universal service" (§ 254(b)). The resulting federal universal service "principles" embody a national commitment to "quality" services at "just, reasonable and affordable" rates, nationwide access to evolving advanced telecommunications capabilities and information services, and "reasonably comparable" urban and rural services and rates. Since Congress is acutely aware that competition and marketplace forces may not deliver up-to-date networks, service advances and affordable rates in RTC study areas, the Act also:

- (a) provides for RTC exemptions and petitions for suspensions and modifications (§ 251(f)) to avoid or buffer the effects of new interconnection and unbundling requirements (§ 251-252) designed to stimulate local exchange competition;
- (b) reserves state commissions' authority to require competitors in RTC areas to offer and advertise study-area-wide (i.e. non-creamskimming) service (§ 253(f)), at least partly using their own facilities;
- (c) imposes greater regulatory hurdles (e.g. prior state public interest determinations) for competitors seeking support for providing universal services in RTC study areas (§ 214(e)(2)); and
- (d) mandates unique, non-common carrier arrangements with larger incumbent LECs, on request, to enable universal service providers with fewer economies of scale to "share" infrastructure as RTCs are able to do today.

The Act's universal service commitments are designed to overcome the economic limitations of rural markets, using a federal high cost funding mechanism to achieve section 254's universal service purposes, bolstered by state universal service mechanisms to implement whatever additional discretionary universal service requirements a state adopts (§ 254(f)).

Congress has left no doubt of its intention that the rules developed here and by the states must effectuate the expanded universal service principles the Act embraces: The principle of "specific, predictable and sufficient Federal and state mechanisms to preserve and advance universal service" (§ 254(b)(5)) -- available only to the "eligible telecommunications carriers" (ETCs) a state designates under section 214(e) -- sets the overall high cost recovery rule.¹ Clearly, adequate transitions are essential to mitigate the adverse impacts of any shifts in cost recovery. Also important, the law spells out its intention for federal high cost funding that is both "explicit and sufficient to achieve the purposes of this section" (§ 254(e)). The purposes of the section, of course, are embodied in the statutory universal service principles discussed above and listed in the NPRM (§ 3). Consequently, the "core" federal universal service commitment (apart from any special Commission definition for schools, libraries and health care providers under section 254(h)) embraces "affordable" and "comparable" rural and urban

¹The law also specifies that any additional state requirements must be supported by "specific, predictable and sufficient" state universal service mechanisms (§ 254(f)).

rates for "comparable" services, including advanced, interexchange and information services.

The extensive rural service experience of Century and TDS is valuable in fleshing out the meaning of "affordable" service in RTC areas. Customers in rural areas are typically geographically spread out, thus generating less revenue per square mile to support the more costly far-flung facilities made necessary by rural demographics.² Such areas typically have fewer customers in their local service calling areas, so their local service rates give them access to only a small pool of subscribers. Rural customers need to make more long distance calls -- for example, to communicate with the businesses, schools and doctors they routinely depend upon. These economic realities mean that "affordable" and "reasonably comparable" must be evaluated in light of customers' typical total monthly telecommunication's charges, not just their local service rates, even in light of the Act's crucial interchange averaging mandate.

With fewer subscribers spread over more area, the task of advancing network capabilities and access to information services is more of an economic challenge in rural communities than in metropolitan markets. Hence, the statutory pursuit of access to "advanced telecommunications and information services ... in all regions of the nation" necessarily requires that "affordable" cannot be limited to mere connection to the public switched

²See Appendix A, comparing rural and urban resources for infrastructure development in three states.

network. In other words, the subscribership level and network "drop-off" point (i.e. price elasticity for "dialtone") can no longer be the measure of whether service is "universal" and federal universal service mechanisms are "sufficient."³ "Sufficient" assistance for low income customers may grow because the Act has increased the scope of services to be "affordable" (§ 254(b)(3)). Additional costs for toll blocking for low-income subscribers proposed in the NPRM (§§ 50-58) also fall within the sufficient and predictable universal service cost recovery principle.⁴

Federal Mechanisms Must Be "Sufficient" to Achieve "Reasonably Comparable" Services and Rates

The requirement for "reasonably comparable" services for rural and high cost areas and for urban markets requires federal universal service mechanisms that are "sufficient" in amount to prevent a gap between telecommunications and information resources available in rural and urban areas. This comparability principle should serve both as one of the criteria for determining the evolving definition of federally-supported universal services under section 254(a) and (c)(1) and as a standard for

³The NPRM (§ 14) seems to recognize this implication when it notes that "the Act specifically provides that telecommunications services -- not just the narrow category of telephone exchange service -- must be affordable" (footnote omitted).

⁴The Act denies any intent to change the structure of Lifeline Assistance. The level of such assistance will need to reflect the broader definition. The mechanisms for low income assistance and high cost and rural cost recovery should remain separate to keep the cost for different universal service categories explicit and measurable.

evaluating whether federal high cost or low income universal service mechanisms are "sufficient" and "predictable." Reasonable comparability means, for example, that a family that relocates from an urban to a rural area should have access to the services that each member had become accustomed to using in the urban area for school, work or personal needs, and at similar rates. To be "sufficient," the federal universal service mechanisms should make this parity possible.⁵

The NPRM indicates an apparent misunderstanding of the Act in asking whether to cap the universal service fund beyond the expiration date set soon before enactment of the 1996 Act. The Act limits the Commission's ability to adopt or enforce any regulations inconsistent with the Act (§ 261(a)). Moreover, it "grandfathers" only existing pre-enactment interexchange access arrangements "including receipt of compensation" until they are explicitly superseded by new post-enactment regulations (§ 251(g)). The cap violates the "sufficiency" test because it ignores the impact of any resulting universal service funding reductions. The cap also offends against the "predictability" standard because it allows mergers, acquisitions or upgrades by some LECs automatically to reduce universal service high cost recovery available for other LECs. For these reasons, the cap

⁵The NPRM's announced intention (§ 27) to limit the federal mechanism to the "minimum subsidy" to achieve the goal of "affordable and reasonably comparable rates throughout the country" sounds superficially valid. However, the broad statutory commitment to "advanced telecommunications and information services" must also be accommodated by the "sufficient" federal universal service mechanisms.

must be allowed to expire on July 1, 1996 under its terms at enactment or removed as inconsistent with the new law.

The Act Requires the Joint Board to Pursue Nationwide Advanced Services and Rural-Urban Comparability By Evolving the Federal Definition

Section 254(a) gives this Joint Board the duty to develop an "evolving" definition of "the services that are supported by federal universal service support mechanisms." The evolving federal definition must take into account the public interest, customer demand for and subscription to services (i.e. market acceptance) and public network deployment.⁶ The effect of this universal service evolution standard will be to extend market-driven services from urban markets to high cost and rural areas and to low-income customers -- places and groups the marketplace tends to neglect. The ultimate standard for "federally-supported" universal services and for periodic reviews of the definition, of course, is again the Act's universal service principles discussed above.

The Federal Definition Should Be Forward-Looking, But Realistic

Federal universal service mechanisms must continue, as they do today, to enable ongoing development of the LEC facilities and network capabilities that make evolving services possible. The Act plainly contemplates ongoing high cost recovery for both facilities and services: It directs ETCs to use funding from federal universal service mechanisms "only for the provision,

⁶§ 254(c)(1). The Joint Board also has discretion to define additional universal services for public schools, libraries and rural health care providers. § 254(c)(3).

maintenance, and upgrading of facilities and services for which the support is intended." Thus, some "reach" should be built into the federal definition, without denying universal service fund cost recovery for LECs that have not yet been able to plan, finance and complete particular upgrades. The evolving definition should be reviewed every two years to ensure that federal universal service mechanisms are available to make possible timely parallel development of rural and urban services and network capabilities.

The "core" services listed in the NPRM -- voice grade access to the public switched network, touch tone, single party service, access to emergency and operator services -- are a good start. The federal definition should also include the development of E911, data and digital capabilities within federal universal service mechanisms. The statutory principle calling for "advancing telecommunications and information services ... in all regions" encompasses infrastructure development for households, single and multi-line businesses and public institutions. Contrary to the NPRM's suggestion (§ 24), the Act does not permit the Joint Board to limit federal universal service mechanisms to residential or single-line business customers or low income subscribers. Economic growth and even survival of the kinds of communities served by the Century and TDS Telecom LECs requires up-to-date, economically priced capabilities and services.

The quality of services provided by incumbent LECs and any additional designated ETCs should be equivalent. The federal

regulations should not add burdensome reporting requirements, but should instead defer to the states for quality monitoring.

However, the rules developed here and in individual states should require that the same monitoring standards and procedures apply to all types of providers to prevent competitive disadvantages from varying regulatory demands.

The Act also provides for an expanded federal definition for schools, libraries and rural health care services. These public institutions may grow to need Internet or broadband access. The general or "core" federal universal services for these public institutions should recover their qualifying high costs from a federal universal service mechanism. Any additional federally-defined universal services or discounts for these groups should also be reimbursed in appropriate part by a federal universal service mechanism.

Century and TDS Telecom will continue their efforts to serve their areas' schools, libraries and health care facilities. The required availability of "specific, predictable and sufficient" federally-funded cost recovery for such efforts represents an investment in the nation's critically important human resources.⁷

⁷The requirements for "specific," "predictable," "explicit" and "sufficient" recovery of high costs make it essential to maintain separate accounts for the different categories of universal service mechanisms -- the rural/high cost, low-income, and schools/libraries/health care providers programs. Each should be administered as a separate mechanism, distinct from the high cost and rural universal service mechanism, in order to allow evaluation under the statutory criteria. (Lifeline Assistance, which Congress decided to leave unchanged (§ 254(j)), is already separate from federal high cost mechanisms).

Specific High Cost Recovery for All ETCs Must Be
Based on Their Costs or Demonstrably Accurate Surrogates

The NPRM continues to suggest complicated "proxy" systems to identify hypothetical costs based upon various assumptions and characteristics. Some even suggest using incumbent LEC high cost calculations as the measure for payments to additional ETCs. However, the Act restricts how this proceeding may structure federal universal service funding mechanisms. For example, the Act's mandate for "specific," "predictable," "sufficient" and "explicit"⁸ federal "support" may not be ignored.

The mandate for "specific" and "predictable" funding legally precludes basing payments for additional ETCs on the costs of incumbent LECs that are also ETCs. Awarding a new entrant high cost compensation set to recoup the incumbent's costs would most likely overcompensate the new entrant, particularly in view of the incumbent's embedded costs incurred as a regulated provider. Such excess compensation would violate two requirements: (1) the directive to use "Federal universal service support ... only for ... facilities and services for which the support is intended" (§ 254(e)) and "in the area for which the support is received" (Managers' Explanation at 131), and (2) the prohibition on using revenues attributable to one set of services to subsidize other services that are subject to competition or overloading universal services with costs (see § 254(k)). In short, "specific Federal

⁸The conferees recognized (Managers' Explanation at 131) that the requirement for "explicit" support has practical limits, stating the intent for "continued or created" support mechanisms to be explicit "[t]o the extent possible."

universal service support" must surely require compensation calculated for the particular recipient.

The mandate for "sufficient ... support" requires that the federal mechanisms generate enough federal support so an ETC will fully recoup its costs of providing the federally-defined universal services. Federal reimbursements must make up any shortfall between the ETC's own costs and its revenues from providing universal services at just, reasonable, affordable and reasonably comparable rates. The high cost compensation for RTCs, therefore, cannot lawfully be based on any proxy suggested so far.⁹ No list of generalized characteristics yet explains, predicts or correlates with individual RTC costs.¹⁰ The record in CC Docket No. 80-286 proves that cost variability prevents the proposed proxies from predicting small LECs' costs. In effect, proxies so far lack the "specificity" and "predictability" to provide any reasonable expectation that federal high cost compensation would be "sufficient" to achieve the Act's universal service purposes.

USF and DEM Weighting Work Well and Can Satisfy the New Law

The existing Universal Service Fund (USF) and Dial Equipment Minutes (DEM) weighting cost recovery mechanisms are of proven value in supporting affordable rural rates and infrastructure evolution. The current mechanisms have made possible digital

⁹Century and TDS do not take a position on whether large price cap LECs may be able to develop a proxy suited to their different characteristics.

¹⁰See, e.g., TDS Reply Comments, CC Docket No. 80-286, at 26-34 (November 9, 1995).

switching and are critical to upgrades to provide CLASS services, caller ID, call forwarding, call waiting, Commission-required improvements such as equal access, CIC expansion, 888 toll free calling, and network upgrades such as SS7, new numbering plans, 800 database service and high capacity digital services.

The record in Docket No. 80-286 demonstrates that the proposals made there to eliminate, combine, or reduce these successful mechanisms would shift costs to the states for recovery, raise rural rates and imperil rural infrastructure development and service quality.¹¹ For example, TDS Telecom's Docket 80-286 Reply Comments showed that loss of DEM weighting would raise local residential and state toll rates by up to \$37 per line per month; GVNW's Comments (pp.14-15) showed shifts to intrastate of up to \$23.86 per loop from combining USF and DEM weighting; and even simply combining study areas would increase monthly local service rates for Century by an average of \$6.20 per month in Wisconsin (Docket 80-286 Comments, p. 17). Clearly, the detrimental impact of such transfer of costs to intrastate would fly in the face of rural/urban comparability and would need to be rectified through new mechanisms.

The USF is an identifiable, explicit universal service cost recovery mechanism currently billed to interexchange carriers on the basis of their share of pre-subscribed lines. It could readily be funded, instead, by interexchange carrier contribu-

¹¹CC Docket 80-286 Comments (October 10, 1995) of Century passim and TDS Telecom passim.

tions calculated on another basis or by contributions from all interstate service providers under section 254(b)(4). The USF mechanism is based on "specific" incumbent LEC high costs, a "predictable" formula, and has helped bring about high quality, advancing, affordably-priced services in virtually all RTC service areas.

Similarly, DEM weighting has targeted federal high cost recovery for switching to incumbent LECs with smaller, higher unit-cost switches.¹² This federal universal service mechanism could be made "explicit" by bulk-billing rather than recovering the costs in per minute switching charges. DEM weighting has been a successful tool for taking into account the differences in economies of scale among switches.

Both the USF and DEM weighting mechanisms are calculated using total, unseparated loop or switching costs. Although the mechanisms now operate through jurisdictional separations procedures, they could just as effectively calculate federal high cost compensation directly.

USF and DEM weighting should be continued as separate high cost recovery mechanisms, since they target costs caused by separate functions. Bundling the mechanisms and thereby creating an internal cross-subsidy between distinct service elements flies in the face of the Act's preference for unbundling in a competi-

¹²E.g., Century Comments, CC Docket No. 80-286, pp. 4-11 (October 10, 1995), TDS Comments, CC Docket No. 80-286, pp. 13-19 (October 10, 1995) and Reply Comments, pp. 7-13 (November 9, 1995) and supporting comments referenced there.

tive environment (see § 251(c)(3)), would make loop and switching universal service compensation less "specific," would overly burden rural states and customers, undermine present rural and urban service and rate comparability and deprive many rural LECs of "predictable and sufficient" federal high cost reimbursement to achieve the purposes of section 254.¹³

Eligibility for High Cost Mechanisms in Certain Rural Areas Is Subject to Special Consumer Safeguards

As noted (pp. 2-3), the new law seeks in several ways to accommodate the unique differences between serving rural and urban markets, including requiring a state public interest finding before an additional ETC may be designated and area-wide service by any additional ETC. To buffer RTC customers further from the adverse impacts of subsidizing another ETC's cream-skimming in the lowest cost portion of a rural area, section 214(e)(5) preserves the RTC's study area as the new ETC's service area "unless and until" a Joint Board changes the rural service area definition.

It would be contrary to the Act to consolidate RTC study areas, necessarily requiring subsidization across company boundaries through additional internal averaging. Indeed, to the extent that state determinations allow unrestricted entry to compete with an RTC or designate an additional ETC, the Commis-

¹³E.g., Century Comments, CC Docket No. 80-286, p. 22 (October 10, 1995); TDS Telecom Comments, CC Docket No. 80-286, pp. 53-55 (average monthly TDS Telecom R-1 rate increase per line of \$3.37); TDS Telecom Comments, CC Docket No. 80-286, pp. 24-26 (November 9, 1995) and other comments referenced there.

sion should provide the option for the incumbent ETC to redistribute its universal service high cost compensation on a geographically disaggregated basis. It should also target any high cost reimbursement for the new ETC solely to the new ETC's own demonstrably high cost, facilities-based locations. This opportunity would be even more crucial if the Commission even temporarily (and unlawfully) based an additional ETC's support (a) on the incumbent's costs or recovery under the high cost universal service mechanisms or (b) on some hypothetical proxy that applied to all ETCs.¹⁴

Combining high cost, low-density rural study areas in a state does not change the nature of the areas or the needs of the customers. Doing so to shift costs deliberately to the intra-state jurisdiction and reduce nationwide high cost recovery, as some urged in CC Docket No. 80-286, conflicts with both the new law's framework of providing sufficient federal universal service mechanisms for nationwide access to federally-defined universal services and the case made for disaggregation to target support as competition makes today's internal support flows unsustainable.¹⁵

¹⁴There is no discernable public interest benefit from designating another ETC in a rural area that requires as much or more high cost reimbursement as the incumbent that was already providing universal service before the regulatory ground rules changed. It would be wise for a state to prevent this in its public interest determinations on whether to designate an additional ETC in an RTC area.

¹⁵Century Comments, CC Docket No. 80-286, pp. 12-15, 17 (October 10, 1995); TDS Comments, CC Docket 80-286, pp. 16-18 (October 10, 1995) and Reply Comments, pp. 19-20 (November 9,

Other Universal Service Mechanisms Should Be Harmonized with Marketplace Forces

The Act (§ 254(e)) requires federal universal service mechanisms to be "explicit," at least "[t]o the extent possible...."¹⁶ It also requires all telecommunications service providers to make "equitable and non-discriminatory" contributions for universal service. These standards may justify funding existing federal mechanisms like Long-Term Support and perhaps some additional portion of the Carrier Common Line charge through a federal high cost mechanism funded by more contributors. A modest increase in the interstate Subscriber Line Charge should also be considered, subject, of course, to the "comparability" and "affordability" standards. Another "explicit" approach worthy of consideration is funding federal universal service costs by a surcharge on interstate retail revenues, excluding taxes, itemized on the end user's bill. However, since the Act requires interexchange rate averaging, both for interstate and intrastate interexchange service, disparities in traffic sensitive and non-traffic sensitive access charges must be mitigated. Otherwise, there will be an incentive not to serve high cost rural interexchange routes.¹⁷

1995) and supporting comments referenced there.

¹⁶Managers' Explanation at 131.

¹⁷This would conflict with the universal service comparability principle (§ 254(b)(3)) requiring those in rural and high cost areas and low-income consumers to have access to services and rates comparable to urban rates and services, including access to "interexchange services...."

Specific Rules Should Be Proposed

Spreading above-average costs over all interstate carriers is the only competitively neutral way to achieve the statutory universal service principles. Congress has given this Joint Board the difficult challenge of fostering evolving universal service and robust competition, without compromising reasonable service and rate parity. The Joint Board should issue a further notice with specific proposals. It is essential that participants have the chance to evaluate and price out impacts to ensure that the economic and public policy mandates of the Act are met.¹⁸

Federal Universal Service Administration Should Not Be Delegated to the States

The NPRM asks (§ 130) whether to abandon today's national Universal Service Fund administration system that has worked extremely well and substitute government administration by the states. This suggestion violates Congress's deregulatory purpose, cited repeatedly by the NPRM (e.g. §§ 8, 14, 30, 45, 95 n. 206). The federal mechanism will support federally-defined universal service and obtain contributions from interstate carriers. Therefore, interpretations and calculations should be uniform nationwide.

¹⁸Until the proceeding focuses on a few specific rule proposals, it is not possible to estimate costs or recommend what transition or implementation schedule may be appropriate.

Conclusion

Century and TDS Telecom urge the FCC and the Joint Board to:

(1) Follow the Act and will of Congress by proposing specific rules for parties to evaluate and price out, and then weighing all proposals against the universal service principles, including nationwide, affordable, advanced telecommunications and information services and rural and urban rate and service parity,

(2) Define universal services and capabilities to evolve based on urban market acceptance and ensure specific, predictable and sufficient cost-based federal high cost compensation to accomplish the Act's universal service principles;

(3) Discard proposals made here and in Docket 80-286 that collide with the Act, such as capping universal service mechanisms, pursuing reduced funding as a goal, unreliable proxies for rural telephone companies or shifting high costs to the states for recovery from higher local rates;

(4) Retain proven infrastructure and universal service tools, such as the current USF and DEM weighting mechanisms, which base cost recovery on total, unseparated costs, keeping these two distinct network functions and elements under separate mechanisms and ensuring adequate transitions to soften any shifts in cost recovery;

(5) Refrain from trampling on the Act's express state authority to buffer rural competition and determine eligibility for universal service mechanisms and leave rural study areas in place, as Congress intended, rather than consolidating them at the expense of insufficient federal cost recovery, local rate increases, subsidization across company lines and arbitrary market distortions;

(6) where rural competition or duplicative eligibility is authorized, permit cost-based unbundling of high cost compensation to smaller geographic areas; and

(7) Retain national administration of federal support mechanisms.

Respectfully submitted,

CENTURY TELEPHONE ENTERPRISES, INC.
and TDS TELECOMMUNICATIONS
CORPORATION

By /s/ Margot Smiley Humphrey

Margot Smiley Humphrey

KOTEEN & NAFTALIN, L.L.P.
1150 Connecticut Avenue, N.W.
Suite 1000
Washington, D.C. 20036
(202) 467-5700

April 12, 1996